

E-002/M-88-253MODIFYING CONSERVATION IMPROVEMENT PROGRAM

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Barbara Beerhalter	Chair
Cynthia A. Kitlinski	Commissioner
Norma McKanna	Commissioner
Robert J. O'Keefe	Commissioner
Darrel L. Peterson	Commissioner

In the Matter of an Energy Conservation  
Improvement Program for Northern States  
Power Company Electric Utility

ISSUE DATE: June 30, 1989

DOCKET NO. E-002/M-88-253

ORDER MODIFYING CONSERVATION  
IMPROVEMENT PROGRAM

PROCEDURAL HISTORY

On April 18, 1989 Northern States Power Company Electric Utility (NSP or the Company) filed a proposal to change its Conservation Improvement Program (CIP) in the following ways: (1) to replace its Technology Research Project with a more general Planning, Research, and Development Project, focusing on demand-side load management issues; (2) to establish specific criteria regarding when program changes require prior Commission approval; (3) to file interim status reports on all CIP projects with its August 1, 1989 annual filing and to file year-end reports on March 1, 1990.

The Department of Public Service (the Department) and the Residential Utilities Division of the Office of the Attorney General (RUD-OAG) filed comments on the Company's proposals. The Department recommended approval of the changes, contingent upon provision and review of more detailed financial information on the Planning, Research, and Development project. The RUD-OAG objected to the proposed guidelines on program changes as inconsistent with existing rules and with the rulemaking process.

On May 15, 1989 the Company made a supplemental filing containing more detailed information on the proposed Planning, Research, and Development Project. The Company proposed to continue its research on water heater heat pumps, sunscreens, and time-clock controlled water heaters, begun as part of the Technology Research Project. The Company also proposed a \$210,000 budget increase, distributed among research topics as follows:

Competitek Information Service	\$ 10,000	
Efficiency and Load Management Planning		
Labor and Expenses		100,000
Market Research Data		50,000
Data Acquisition, Consulting	20,000	
Water Heater Load Management		15,000
Air Conditioner Load Management	<u>15,000</u>	
		\$210,000

## FINDINGS AND CONCLUSIONS

### **The Planning, Research, and Development Project**

The Commission approves of the concept underlying this project. Consolidating all CIP research into a single project should promote more effective Company coordination and Commission oversight of NSP's CIP research efforts. It should also enhance Company expertise in CIP matters.

The \$210,000 increase requested for CIP-related research is not unreasonable on its face. The Commission cannot approve the entire amount, however, without more detailed information on how it will be spent. The Commission is concerned that CIP research expenditures not duplicate or displace expenditures from the Company's general research and development budget. That budget is substantial, and it has already been funded by inclusion in the Operating and Maintenance expenses approved in the Company's last general rate case.

The Commission will approve the Planning, Research, and Development Project in general form, will approve the transfer of existing Technology Research Project activities to the new project, and will approve the following new components of the Planning, Research, and Development Project: the Competitek Information Service fees, Water Heater Load Management research, and Air Conditioner Load Management research. These activities are so closely linked with CIP that the Commission assumes they are not included in the general research and development budget and that funding them will not decrease general research and development expenditures.

The Commission is uncertain about what is included under the categories "Efficiency and Load Management Planning," and "Data Acquisition, Consulting," however. These topics are general enough that expenditures for research on them will not be approved without documentation that the topics are not included in the general research and development budget and that the full general research and development budget is being spent. Upon receipt of such documentation, the Commission will consider these and any other research topics proposed for inclusion in the Planning, Research, and Development Project budget.

### **Guidelines for Prior Approval of Program Changes**

The Company requested Commission approval of the following guidelines for determining when the Company must request prior approval of a change in its Conservation Improvement Program:

- A. When a change is expected to cause a project's cost-effectiveness to fall outside the originally predicted range;
- B. When a change will result in expenditures deviating from the approved level by 10% or \$50,000, whichever is greater;
- C. When a change is expected to significantly affect market acceptance or response.

The CIP rule contains the following requirements regarding changes in a Company's Conservation Improvement Program:

Upon its own motion or upon the motion of a utility or other person, the Public Utilities Commission may add a new project or modify, expand, or terminate an existing conservation improvement program or utility renewable resource pilot program before the program's expiration date. The moving party must notify all participants in the affected utility's conservation improvement program case or utility renewable resource pilot program case of the motion. Interested persons must be allowed 15 days to submit comments on the proposed program changes. A change may be ordered to make a project more effective, reach more participants, reduce unnecessary or ineffective expenditures, to expand, change, or reduce the geographic area or target group that the project covers, or to change the time period during which the project would be in effect.

Minn. Rules, part 7840.1300.

The rule clearly contemplates Commission approval of any significant change in a Company's Conservation Improvement Program. It requires Commission approval not just to add or discontinue projects, but to make any change in an individual project to improve its effectiveness, to increase the number of people participating in it, or to change its budget, geographical area, or target group. The rule provides opportunity for all persons who participated in the proceeding establishing the Conservation Improvement Program to comment on any proposal to change it.

The proposed guidelines conflict with the rule's broad requirement for notice to parties and Commission review of any significant change in a duly approved Conservation Improvement Program. The guidelines will not be approved. The Commission would caution the Company against internal use of the guidelines, which NSP suggested it was considering, since such reliance could lead the Company to fail to make filings required under Minn. Rules, part 7840.1300.

The Commission does not agree with the Company that Minn. Rules, part 7840.1300 requires general clarification. If general clarification were needed, however, the proper method would be formal rulemaking, as required under Minn. Stat. §§ 14.01-14.43.

### Status Report Due Dates

The Commission agrees with the Company that the August 1 and March 1 filing dates it proposes for submission of interim status reports and year-end status reports are reasonable. They will be approved.

### ORDER

1. Northern States Power Company Electric Utility's 1989 Conservation Improvement Program is hereby modified to replace the Technology Research Project with a new project, the Planning, Research, and Development Project.
2. The Planning, Research, and Development Project shall include all activities originally approved for the Technology Research Project, at the amounts originally budgeted, and the following activities at the budget amounts shown:

Competitek Information Service	\$10,000
Water Heater Load Management	\$15,000
Air Conditioner Load Management	<u>\$15,000</u>
	\$40,000

3. The Company may submit additional research topics for inclusion in the Planning, Research, and Development Project, together with documentation that the topics are not included in the Company's general research and development budget and that the Company's full general research and development budget is being spent.
4. The Company's request for approval of proposed guidelines for determining when to request prior approval of a change in its Conservation Improvement Program is denied.
5. The Company shall file interim status reports on all its CIP projects on or before August 1, 1989.
6. The Company shall file year-end status reports on all its CIP projects on or before March 1, 1990.
7. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Mary Ellen Hennen  
Executive Secretary

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